



# STATE OF INDIANA

## OFFICE OF THE TREASURER

RICHARD MOURDOCK

317-232-6386

WWW.IN.GOV/TOS

### **FOR IMMEDIATE RELEASE**

**05.18.09**

Contact: Christopher Conner (317)232-6387

[cconner@tos.in.gov](mailto:cconner@tos.in.gov)

### **Indiana State Treasurer Richard Mourdock Issues Investment Directive as a Result of Losses Stemming from Chrysler Bailout**

INDIANAPOLIS (May 18, 2009) – Indiana State Treasurer Richard Mourdock announced effective immediately that no portfolios under his control will make additional investments in secured corporate debt of businesses that are receiving infusions of federal funds. In addition, Treasurer Mourdock is communicating his message to Hoosier fiduciaries of public monies who might otherwise make investments in securities that can be devalued due to the unilateral action of the federal government.

"I serve as the Trustee of the Indiana State Police Pension Fund and am responsible for investing the Major Moves Construction Fund. Both of those funds suffered losses when the Obama administration overturned some two-hundred years of established law by redefining 'secured creditors' to mean something less," explained Treasurer Mourdock. "In the past, to be 'secured' meant an investor was 'first in line' in the event of a bankruptcy and 'non-secured' creditors would receive value after secured-creditors were paid. In the Chrysler bankruptcy, however, secured creditors received \$.29 on the dollar even as non-secured creditors received higher values and ended up with a 55% ownership of the new company, which is fundamentally wrong and a dangerous precedent to the capital markets."

"Indiana's pensioners should not be punished as a result of investment managers making historically sound decisions. The managers did nothing wrong, but the portfolios have been victimized due to the actions of the federal government in the Chrysler bankruptcy. Losses have happened once, due to the action of the feds, and as fiduciaries, we must be certain Indiana pensioners and portfolios are not victimized again. Henceforth, we will not add to the portfolios 'secured' debt from companies such as General Motors, other manufacturing companies, or those insurance companies who have or will be receiving bailout funds. Given the recent actions of the federal government, the risk is too great for any prudent investor to accept," clarified Treasurer Mourdock.

Conservatively, the Indiana State Police Pension Fund lost \$147,400 and the Major Moves Construction Fund lost \$896,000. Though not a fund managed by the State Treasurer's Office, the Indiana Teacher's Retirement Fund suffered, at a minimum, a loss of \$4,600,000 due to the action of the federal government.

"As Treasurer and as Trustee of public funds, I will continue to review and consider all options that are available for the recovery of these monies," stated Treasurer Mourdock. "My message to all who are investing on behalf of Indiana's retired public employees is the federal government will disregard Hoosiers interest as it pursues unprecedented policies that strike at the heart of the capital system. We must act to protect funds against the actions of the federal government."